

AR17

***NORTHERN
TELEPHONE
LIMITED***

**annual
report
1974**



**bringing
the
north
together -
for 70 years**

CORPORATE INFORMATION

ADDRESS

17 Paget Street,
New Liskeard, Ontario.
POJ IPO

TRANSFER AGENT

CROWN TRUST COMPANY,
Toronto, Montreal, Winnipeg and Calgary

TRUSTEE

CANADA PERMANENT TRUST COMPANY,
Toronto and Montreal

AUDITORS

ROSS, POPE & COMPANY
Chartered Accountants,
Timmins, Ontario

BANKER

CANADIAN IMPERIAL BANK OF COMMERCE,
New Liskeard, Ontario

*Vous pouvez obtenir une version
française de ce rapport en écrivant
au Secrétaire,*

*Téléphone du Nord Limitée
New Liskeard, Ontario
POJ IPO*

70th

ANNUAL REPORT

Northern Telephone Limited

Year Ended December 31, 1974



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Transfer Agent, Trustee, Auditors and Bankers

Inside Front Cover

Highlights of the Report

FINANCIAL RESULTS

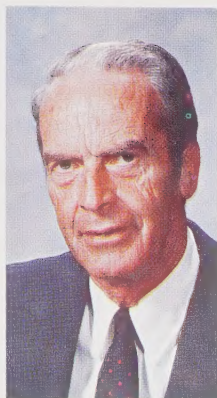
	1974	1973
Total Operating Revenue	\$20,257,784	\$18,554,971
Operating and General Expense	10,133,005	8,344,075
Debenture Interest and Discount	1,414,078	1,224,636
Depreciation	4,405,773	4,168,591
Income Tax	1,997,660	2,372,930
Net Income	1,772,610	2,134,918
Dividends - Preferred	409,217	409,217
- Common	913,101	913,101
Earnings Per Average Common Share	.45	.57

BALANCE SHEET

Gross Fixed Assets	\$84,834,308	\$74,948,054
Net Fixed Assets	58,062,624	49,916,350
Accumulated Depreciation	26,771,684	25,031,704
Long Term Debt	23,213,500	20,835,000
Shareholders Equity	27,742,568	27,292,272

ADDITIONAL STATISTICS

Telephones in Service	122,845	116,365
Percentage Dial Operated	100	99.0
Number of Long Distance Calls	8,949,684	7,811,824
Number of Central Offices	83	84
Number of Employees at December 31	750	698
Number of Shareholders	2,234	2,529



D. McKELVIE
New Liskeard, Ont.



R.D. SLOANE
Ottawa, Ont.



J.A. COOMBS
Montreal, Que.



C. DUHAMEL
Montreal, Que.



R.T. HUTCHINSON
New Liskeard, Ont.

DIRECTORS



G.E. KNOWLES
Kapuskasing, Ont.



J.C. LAVIGNE
Timmins, Ont.

JAMES A. COOMBS
Assistant Vice-President, Bell Canada

CLAUDE DUHAMEL
President Northern Quebec Telephone Inc.
Vice-President, Bell Canada

ROWAN T. HUTCHINSON
Real Estate Broker

GEORGE E. KNOWLES
President, Geo. E. Knowles Limited

J. CONRAD LAVIGNE
President, Mid-Canada Television System

DONALD McKELVIE
Chairman of the Board
Northern Telephone Limited

W. RALPH RAMSAY
Senior Partner, Ramsay and Ramsay

R. DOUGLAS SLOANE
President, Northern Telephone Limited
Vice-President, Bell Canada

RICHARD A.H. TAYLOR
Chairman of the Board
Morissette Diamond Drilling Limited



W.R. RAMSAY
New Liskeard, Ont.



R.A.H. TAYLOR
New Liskeard, Ont.

OFFICERS
and
DEPARTMENT HEADS

DONALD McKELVIE
Chairman of the Board

R. DOUGLAS SLOANE
President

MURRAY W. COOPER
Vice-President and General Manager

J. CHARLES BURKHOLDER
Treasurer

DENIS H.J. LAMOTHE
Secretary

LESLIE A. MILLER
Assistant Treasurer

ROY B. BARNARD
General B.I.S.,
Commercial - Marketing,
Personnel Manager

RAY J. JUTRAS
General Plant Manager

RONALD M. GIBBINS
Chief Engineer

DIRECTORS' REPORT TO THE SHAREHOLDERS

Northern Telephone Limited's financial performance in 1974 paralleled the general economy of the area served. Operating revenues for 1974 at \$20,258,000 were 9.2% higher than in 1973. Expenses, however, reflecting the spiralling inflation experienced during the year, surpassed the percentage increase in revenues and at \$14,539,000 were 16.2% higher than the previous year. This resulted in net income for the year decreasing 17% over the previous year to \$1,773,000 and is reflected in the earnings per share decreasing from 57¢ in 1973 to 45¢ in 1974. The rate of return on average total capital also declined to 6.9% from 7.3% in 1973. Shareholders' equity at 1974 year-end was \$6.63 per common share, compared to \$6.48 the previous year.

Inflation was evident as the Company adopted a record high construction programme of \$13,300,000 in order to meet customer demands for service. Substantial increases in the cost of materials, supplies and wages accounted for a large part of the increase in expenditures. Another major factor contributing to the high level of expenses in 1974 was the accelerated rural upgrading programme in the province of Quebec.

Total telephones in service increased 5.6% in 1974 to 122,845, compared to 116,365 in the previous year. To achieve the 6,480 net growth, 31,511 telephones were connected and 25,031 were disconnected.

The main highlight of the Ontario operations was the completion of the dial conversion programme with the final three manual exchanges of Larder Lake, Matachewan and Virginiatown being converted to dial on December 4th, 1974, resulting in 100% dial telephone service to the Company's Ontario customers. Additional capital was required to provide extended area service (E.A.S.) to the Hearst - Joliette - Coppel area as well as to accommodate growth such as evidenced in the City of Timmins which exceeded 20,000 total telephones early in 1974.

The major capital projects completed in Northern Quebec Telephone Inc. during 1974 included the installation of the first electronic exchange in the system located at Matagami. A large capital outlay was also required to expand the primary long distance centre facilities located in Val d'Or and the construction of further microwave transmission systems which will carry long distance traffic to and from that centre.

A programme of decentralization of certain staff functions initiated in 1974 is continuing. This programme is aimed at improving operating efficiency and increasing the

autonomy of the subsidiary, Northern Quebec Telephone Inc.

During the year negotiations were successfully completed for the issue of two new series of debentures. A \$2,500,000 issue of 10 5/8% Sinking Fund Debentures, Series "J", maturing in 1994 was issued in December, while a \$4,000,000 issue of 11% Serial Debentures, Series "K", maturing from 1986 to 1995 inclusive, was issued early in January 1975.

The costs of operations during 1975 are expected to continue to reflect the general inflationary trends currently being experienced in the economy at large. In order to continue to meet demands for service and to accommodate growth and modernization, a construction programme of \$12,500,000 is planned for 1975.

The level of return at 6.9% on average total capital in 1974 is not only well below that earned by other major telephone companies, but is far below the level necessary to attract new capital in order to finance the Company's construction programmes. Increased productivity alone cannot offset the spiralling increases in costs of wages, supplies and materials. In order to improve earnings and therefore arrive at a rate of return necessary to attract new capital, the Company, on September 20th, 1974, filed with the Ontario Telephone Service Commission for an upward adjustment in revenues. Northern Quebec Telephone Inc. filed an application for increased rates with

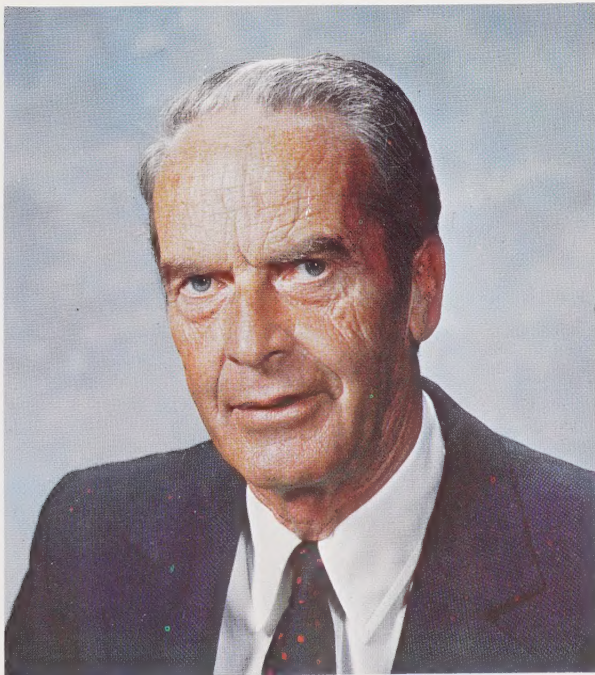
the Quebec Public Service Board on December 23rd, 1974.

In September 1974, Mr. Palle Kiar resigned as President and Chief Executive Officer as well as a Director of the Company. The Directors wish to record their appreciation of Mr. Kiar's significant contribution to the Company. Mr. Douglas Sloane, Vice-President of Bell Canada, Central Area, succeeds Mr. Kiar as President and Chief Executive Officer and as a member of the Board of Directors.

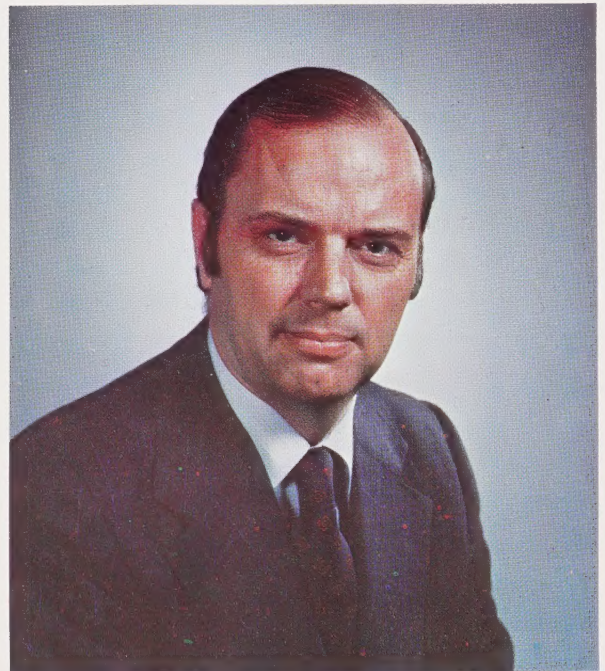
In January 1975, Mr. Clair F. Shepherdson was appointed Treasurer of the Company succeeding Mr. J. Charles Burkholder who resigned from the position. The Directors wish to record their appreciation of the valued services of Mr. Burkholder during his years of service with the Company.

The Directors wish to extend their sincere appreciation to management, staff and employees for their loyalty and continuing efforts on behalf of the Company.

For the Board of Directors



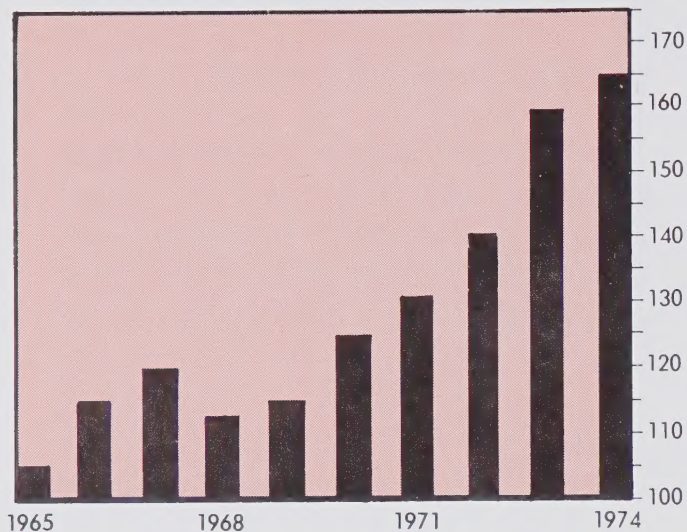
D. McKelvie,
Chairman



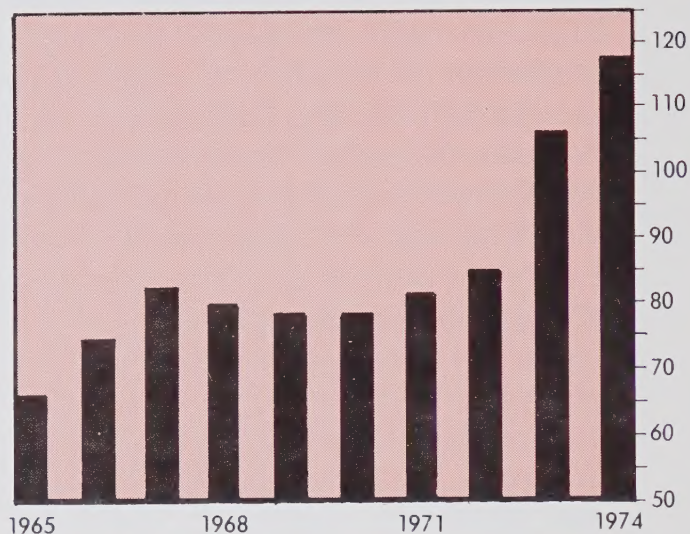
R.D. Sloane,
President.

Dated February 27th, 1975.

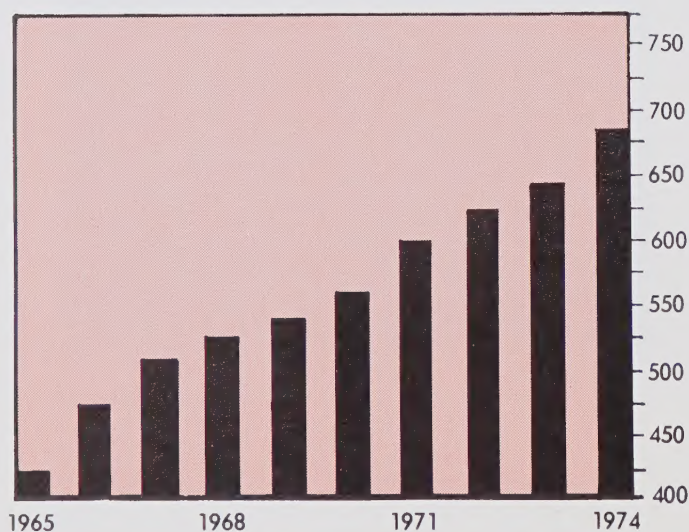
REVENUE PER TELEPHONE



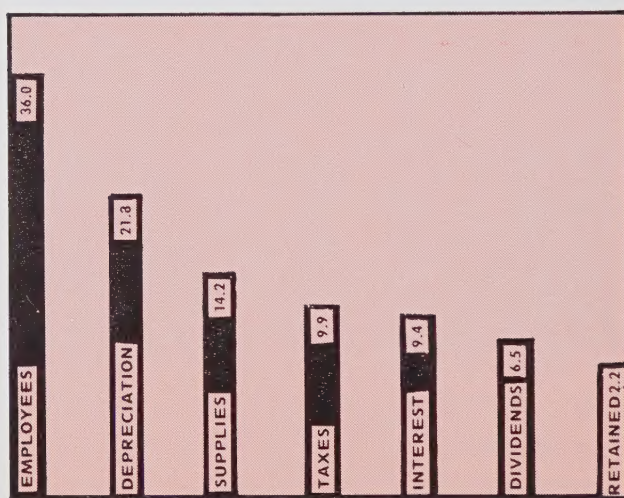
EXPENSE PER TELEPHONE



PLANT PER TELEPHONE



DISPOSITION OF 1974 INCOME DOLLAR



NORTHERN TELEPHONE LIMITED
and subsidiary companies

CONSOLIDATED STATEMENT OF INCOME

For year ended December 31

	1974 \$	1973 \$
OPERATING REVENUES		
Local service	9,201,224	8,757,176
Long distance service	10,235,687	9,075,162
Miscellaneous (net of uncollectables)	<u>820,873</u>	<u>722,633</u>
	<u>20,257,784</u>	<u>18,554,971</u>
OPERATING EXPENSES		
Depreciation	4,405,773	4,168,591
Maintenance	3,933,048	2,951,125
Traffic	1,328,607	1,235,443
Marketing and Commercial	1,143,523	1,000,805
Accounting	941,601	870,154
Provision for service pensions and employee benefits	260,247	214,981
Taxes other than income taxes	1,217,113	1,050,678
Other	<u>1,308,866</u>	<u>1,020,889</u>
	<u>14,538,778</u>	<u>12,512,666</u>
Net Operating Revenues	<u>5,719,006</u>	<u>6,042,305</u>
OTHER INCOME		
Miscellaneous (net) (Note 2)	195,420	104,377
Less: Amortization of excess of cost of investment in subsidiary companies over acquired equity	<u>235,200</u>	<u>235,200</u>
	<u>(39,780)</u>	<u>(130,823)</u>
	<u>5,679,226</u>	<u>5,911,482</u>
INTEREST CHARGES		
Interest on long term debt	1,390,025	1,202,640
Other interest	494,878	178,998
Amortization of long term debt expenses	<u>24,053</u>	<u>21,996</u>
	<u>1,908,956</u>	<u>1,403,634</u>
Net income for year before income taxes	3,770,270	4,507,848
Income taxes	<u>1,997,660</u>	<u>2,372,930</u>
NET INCOME FOR YEAR	<u>1,772,610</u>	<u>2,134,918</u>
EARNINGS PER COMMON SHARE	0.45	0.57

CONSOLIDATED

As at Dec

ASSETS

	1974 \$	1973 \$
TELECOMMUNICATIONS PROPERTY (Note 1)		
Building, plant and equipment	80,148,847	72,933,403
Less: Accumulated depreciation	<u>26,771,684</u>	<u>25,031,704</u>
	53,377,163	47,901,699
Land	433,150	395,558
Plant under construction	4,252,311	1,619,093
Materials and supplies	<u>1,495,771</u>	<u>1,703,770</u>
	<u>59,558,395</u>	<u>51,620,120</u>
 CURRENT ASSETS		
Accounts receivable (Note 3)	4,236,726	3,025,714
Prepaid expenses and other	<u>379,996</u>	<u>305,001</u>
	<u>4,616,722</u>	<u>3,330,715</u>
 DEFERRED CHARGES (Note 1)		
Unamortized excess of cost of investments in subsidiary companies	2,827,603	3,062,803
Unamortized long term debt expense	<u>236,012</u>	<u>240,211</u>
	<u>3,063,615</u>	<u>3,303,014</u>
	<u>67,238,732</u>	<u>58,253,849</u>

On behalf of the Board of Directors:
R.D. Sloane, Director
R.A.H. Taylor, Director

BALANCE SHEET

ber 31

LIABILITIES AND SHAREHOLDERS' EQUITY

	1974 \$	1973 \$
SHAREHOLDERS' EQUITY		
Capital Stock (Note 4)		
Preference shares	7,564,000	7,564,000
Common shares	14,934,772	14,934,772
Retained earnings	5,243,796	4,793,500
	<u>27,742,568</u>	<u>27,292,272</u>
LONG TERM DEBT (Note 5)	<u>23,213,500</u>	<u>20,835,000</u>
NOTES PAYABLE (Note 6)	<u>5,900,000</u>	<u>1,700,000</u>
CURRENT LIABILITIES		
Bank advances	189,360	96,542
Accounts payable (Note 3)	4,267,945	3,238,027
Advance billing for service	318,428	277,027
Dividends payable	330,578	330,579
Taxes accrued	-	382,590
Interest accrued	<u>282,933</u>	<u>263,707</u>
	<u>5,389,244</u>	<u>4,588,472</u>
DEFERRED CREDITS (Note 1)		
Income taxes	4,895,380	3,838,105
Unamortized investment tax credit	98,040	-
	<u>4,993,420</u>	<u>3,838,105</u>
	<u>67,238,732</u>	<u>58,253,849</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For year ended December 31

	1974 \$	1973 \$
BALANCE AT BEGINNING OF YEAR	4,793,500	3,980,900
Add: Net income for year	<u>1,772,610</u>	<u>2,134,918</u>
	6,566,110	6,115,818
Deduct: Dividends - Preference shares	409,217	409,217
- Common shares	<u>913,097</u>	<u>913,101</u>
	1,322,314	1,322,318
BALANCE AT END OF YEAR	<u>5,243,796</u>	<u>4,793,500</u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For year ended December 31

	1974 \$	1973 \$
SOURCE OF FUNDS		
Net income	1,772,610	2,134,918
Items not requiring an outlay of funds		
Depreciation and miscellaneous (net)	4,479,627	4,330,236
Deferred income taxes	1,057,275	520,106
Deferred income taxes - prior period	-	<u>70,390</u>
	7,309,512	7,055,650
Increase in notes payable	4,200,000	-
Proceeds from issue of debentures	2,500,000	7,000,000
Proceeds from sale of telecommunications property	41,923	-
Increase in unamortized investment tax credit	98,040	-
Decrease in working capital	<u>-</u>	<u>137,406</u>
	14,149,475	14,193,056
DISPOSITION OF FUNDS		
Construction expenditures		
Gross construction expenditures	13,298,201	8,655,831
Deduct: Charges to construction not requiring funds	933,630	1,009,731
Decrease (Increase) in materials and supplies	207,999	(286,365)
	12,156,572	7,932,465
Purchase of telecommunications property	44,000	1,870,000
Net decrease in notes payable	-	2,750,000
Dividends	1,322,314	1,322,318
Repayment of long term debt	121,500	118,000
Application of deferred credit to construction	-	125,000
Increase in unamortized long term debt expense	19,854	75,273
Increase in working capital	<u>485,235</u>	<u>-</u>
	14,149,475	14,193,056

NORTHERN TELEPHONE LIMITED
and subsidiary companies

NOTES TO FINANCIAL STATEMENTS

NOTE 1. Accounting Policies

Consolidation - The accounts of the two subsidiary companies in which Northern Telephone Limited owns 100% of the outstanding common shares have been included in the accompanying consolidated financial statements. These companies are Northern Quebec Telephone Inc. and Algoma Central Telephone Company Limited.

The excess of the cost of these shares over acquired equity is being amortized over a period of twenty years commencing in 1967. Prior to 1970 the amounts amortized were charged to consolidated retained earnings. Since 1970 these amounts are charged to consolidated income. Such amortization amounted to \$235,200 in 1974 - (\$235,200 in 1973).

Telecommunication Property - Telecommunication property is reflected at cost except for telecommunication property purchased January 2, 1973 by Northern Quebec Telephone Inc. which is shown at reproduction cost less the applicable accumulated depreciation.

Income Taxes - Commencing January 1, 1966, Northern Telephone Limited and its subsidiaries adopted the tax allocation basis of accounting for income taxes.

Depreciation - Depreciation is computed on the straight line method using rates based on the estimated useful lives of the assets. When depreciable telecommunication property, other than minor items thereof which are replaced, is retired, the amount at which such property has been carried in telecommunication plant is charged to accumulated depreciation.

Investment Tax Credit - The investment tax credit has been deferred and is being amortized by credits to income, as a reduction of income taxes, over the average estimated service life of telecommunication property.

NOTE 2. Other Income

Other income, less miscellaneous charges, includes interest charged to construction of \$230,430 (\$95,551 in 1973). This interest is also included in the item "charges to construction not requiring funds" in the statement of changes in financial position.

NOTE 3. Accounts Payable and Accounts Receivable.

At December 31st, 1974, accounts payable include \$531,626 owing to an affiliated company, and accounts receivable include \$117,978 due from the parent company.

NOTE 4. Capital Stock

PREFERENCE SHARES

Authorized - with a par value of \$20.00 each,
issuable in series, voting

First Preference	<u>500,000</u> shares		\$10,000,000
Second Preference	250,000 shares	\$5,000,000	
Less: Converted	<u>121,800</u> shares	<u>2,436,000</u>	
	<u>128,200</u> shares	<u>\$2,564,000</u>	<u>2,564,000</u>
			<u>\$12,564,000</u>

NOTE 4 Cont'd.**Issued and Outstanding - First Preference (Redeemable at \$20.40 per share)**

75,000	5 1/2%	Cumulative Redeemable First Preference Shares, Series "A"	\$ 1,500,000
50,000	5 1/2%	Cumulative Redeemable First Preference Shares, Series "B"	1,000,000
100,000	5 1/2%	Cumulative Redeemable First Preference Shares, Series "C"	2,000,000
25,000	5 1/2%	Cumulative Redeemable First Preference Shares, Series "D"	<u>500,000</u>
			<u>\$ 5,000,000</u>

Issued and Outstanding - Second Preference (Convertibility expired)

7,853	5%	Cumulative Redeemable Convertible Second Preference Shares, Series "A" redeemable at \$20.40	\$ 157,060
120,347	5 1/4%	Cumulative Redeemable Convertible Second Preference Shares, Series "B" redeemable at \$20.60 to April 1, 1975 and \$20.40 thereafter	<u>2,406,940</u>
			<u>\$ 2,564,000</u>
			<u>\$ 7,564,000</u>

COMMON SHARES

Authorized - 6,500,000 common shares without par value to be issued for a consideration not to exceed \$35,000,000.

Issued and Outstanding - 3,043,657 common shares \$14,934,772

NOTE 5. Long Term Debt

Northern Telephone Limited			
<u>Maturity Date</u>	<u>Rate of Interest</u>	<u>Series</u>	<u>Outstanding</u>
20 year Sinking Fund Debentures			
			\$
April 1, 1975	4%	B	777,000
May 1, 1978	5 1/4%	C	1,462,000
January 2, 1981	6%	D	1,707,000
December 1, 1981	5 1/2%	E	584,500
May 1, 1983	5 3/4%	F	2,671,500
December 15, 1984	5 5/8%	G	1,784,500
May 1, 1987	6 1/2%	H	4,637,000
December 15, 1994	10 5/8%	J*	<u>2,500,000</u>
			16,123,500
20 year Serialized Debentures			
April 30, 1993	8 1/4%	I	<u>7,000,000</u>
			23,123,500
Northern Quebec Telephone Inc.			
First Mortgage Sinking Fund Bond			
May 1, 1975	6%	B	<u>90,000</u>
Total			<u>23,213,500</u>

* Subject to prepayment; at option of holders thereof, on June 15, 1985

Sinking fund and maturity payments, required in the next five years, with respect to the above debt are: \$974,500 in 1975; \$149,500 in 1976; \$162,500 in 1977; \$1,562,500 in 1978 and \$145,000 in 1979.

NOTE 6. Notes Payable

This indebtedness is evidenced by promissory notes, payable on demand, to the company's banker.

NOTE 7. Remuneration of Directors and Senior Officers

During the year ended December 31, 1974, the aggregate direct remuneration paid or payable by the company and its subsidiaries to the directors and senior officers of the company was \$190,239.

NOTE 8. Pension

The latest actuarial valuation of the plans for employees' pensions established an unfunded liability of \$108,307 at December 31, 1972. Based on this valuation, less payments made to December 31, 1974, the unfunded liability is \$80,080 at that date. Payments are charged to operations in the years they are made.

NOTE 9. Subsequent Events

On January 15, 1975 the company issued 11% serial debentures Series K in the amount of \$4,000,000 maturing as to \$400,000 on the 15th day of January in each of the years 1986 to 1995 inclusive. The funds received from this issue have been applied to reduce the notes payable.

AUDITORS' REPORT

To the Shareholders of
NORTHERN TELEPHONE LIMITED

We have examined the consolidated balance sheet of NORTHERN TELEPHONE LIMITED (incorporated under the laws of the Province of Ontario) and its subsidiaries as at December 31, 1974 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. For Northern Telephone Limited and the subsidiary of which we are auditors, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditor who has examined the financial statements of the other subsidiary.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceeding year.

Timmins, Ontario
January 27, 1975

ROSS, POPE & COMPANY,
CHARTERED ACCOUNTANTS.

STATISTICS 1965 - 1974

(Including All Subsidiaries)

	1974	1973	1972	1971
NUMBER OF TELEPHONES	122,845	116,365	109,660	102,722
Business	37,406	35,635	33,155	30,968
Residence	85,439	80,730	76,505	71,754
Percentage Residence of Total	69.6	69.4	69.8	69.9
Percentage Dial of Total	100.0	99.0	98.9	98.2
NUMBER OF CENTRAL OFFICES	83	84	87	88
MILES OF POLE LINES	3,705	4,329	4,365	4,373
MILES OF WIRE	199,870	382,950	351,411	325,298
LONG DISTANCE CALLS	8,949,684	7,811,824	6,787,577	5,879,955
Company Lines	3,557,892	3,536,335	3,012,323	2,630,629
Connecting Companies' Lines	5,391,792	4,275,489	3,775,254	3,249,326
TOTAL INVESTMENT PLANT & EQUIP.	\$84,834,308	\$74,948,054	\$66,900,403	\$60,871,132
Plant & Equip. Less Dep.	\$58,062,624	\$49,916,350	\$44,473,290	\$41,100,498
OPERATING REVENUES	\$20,257,784	\$18,554,971	\$15,407,066	\$13,181,905
NUMBER OF EMPLOYEES				
Men	409	378	347	345
Women	341	320	295	260
Total Employees	750	698	642	605
TOTAL PAYROLL	\$ 7,070,643	\$ 6,051,876	\$ 4,944,908	\$ 4,531,140
NUMBER OF SHAREHOLDERS				
In Canada	2,195	2,443	2,493	2,542
Elsewhere	39	86	88	97
Total Shareholders	2,234	2,529	2,581	2,639

1970	1969	1968	1967	1966	1965
97,194	93,986	97,912	94,190	85,705	81,348
29,161	28,355	30,083	28,571	26,836	25,367
68,033	65,631	67,829	65,619	58,869	55,981
70.0	69.8	69.3	69.7	68.5	68.8
97.1	96.8	95.2	94.2	91.8	89.2
86	87	115	115	108	109
4,404	4,326	4,134	4,110	3,914	3,825
310,181	293,343	297,339	282,232	251,304	235,834
5,590,884	5,427,557	5,152,324	5,224,231	4,432,847	4,113,808
2,557,759	2,598,626	2,560,812	2,672,179	2,137,615	1,927,245
3,033,125	2,828,931	2,591,512	2,552,052	2,295,232	2,186,563
\$55,670,079	\$49,207,613	\$53,551,164	\$48,560,359	\$41,708,885	\$36,062,388
\$38,404,948	\$34,077,518	\$37,416,518	\$34,475,484	\$29,980,665	\$25,849,376
\$12,022,529	\$10,688,771	\$10,807,847	\$10,217,371	\$ 8,868,056	\$ 7,856,925
336	352	374	416	486	503
289	256	392	430	389	245
625	608	766	846	875	748
\$ 4,361,647	\$ 3,684,698	\$ 3,940,799	\$ 4,046,714	N/A	N/A
2,620	2,650	2,730	2,771	2,890	5,228
110	112	115	93	94	286
2,730	2,762	2,845	2,864	2,984	5,514

BRINGING THE NORTH TOGETHER

Northern Telephone Limited's policy of "Bringing the North Together" has been adhered to for seventy years and has contributed greatly to the development of the North.

In 1905 operations began "to establish the best means of establishing a telephone line from Cobalt to New Liskeard". In that inaugural year the Company strung its first lines. They joined Dymond and Harley Townships plus the small communities of Uno Park, Milberta, Earlton, Heaslip, Tomstown and Charlton.

The emphasis then, as now, was on Northern communities. In its first year of operations, the Company rejected an early takeover bid by the Bell Telephone Company of Canada and instead successfully negotiated the acquisition of the Ville Marie Telephone Company. This linked Notre Dame Du Nord, Guigues, Ville Marie and Duhamel to a rapidly expanding Northern network.

Further "Bringing the North Together" occurred in 1907 when the Haileybury Telephone Company was purchased and phones were installed in the Town of Latchford.

Later the developing communities of Englehart, Kirkland Lake and Swastika were added to the system. Other settlements brought into the network had names such as Pearsons, South Lorrain, Cheminis and Boston Creek.

The discovery of minerals in the Rouyn-Noranda area in 1926 led to major expansion in Northwestern Quebec. Exchanges opened that year were in Amos, Taschereau, Barraute and Senneterre.

It is still said that if the first hole drilled finds a new mine, the next is drilled to hold a Northern Telephone pole.

As mining, lumber, and agriculture developed in communities such as Porcupine and Kapuskasing, Val d'Or and Chibougamau, Northern Telephone Limited established exchanges and helped link the communities together. These communities are now major exchanges in the system.

Better Service

Northern Telephone Limited recognized the great responsibility it had accepted. Service had to be continually improved and had to match that available in other parts of the country. The very nature of the territory made telephone service essential if the North was to develop successfully. At the same time the hazards of climate and distance made the task of providing telephone facilities very difficult. An example was the disastrous forest fire of 1922 which destroyed one-quarter of the system. Insurance against this was not available in those days, but the Company fought back and restored service between the communities.

FOR SEVENTY YEARS

New ideas were required if the more remote settlements were to receive service. One innovation was the commercial development of radio telephone service to the remote areas. This idea is now being used by other companies serving vast areas.

Modern Service

Northern Telephone Limited believes in its theme of "Bringing the North Together", and the Company uses the most modern means available to carry on this policy. The first major modernization occurred in Cobalt in 1952 when dial telephones were cut into service.

This started a 22 year programme of dial conversions which culminated at 9 a.m. on December 4th, 1974. At that time, 1,200 phones in Matachewan, Larder Lake and Virginiatown were converted from manual operation to dial and Northern Telephone Limited became 100% dial operated. With the exception of 40 phones located in Parc de la Vérendrye, Northern Quebec Telephone Inc. is entirely dial operated.

Direct distance dialing was pioneered in the North by the Company when the service was introduced to Val d'Or and surrounding area in 1971. Today

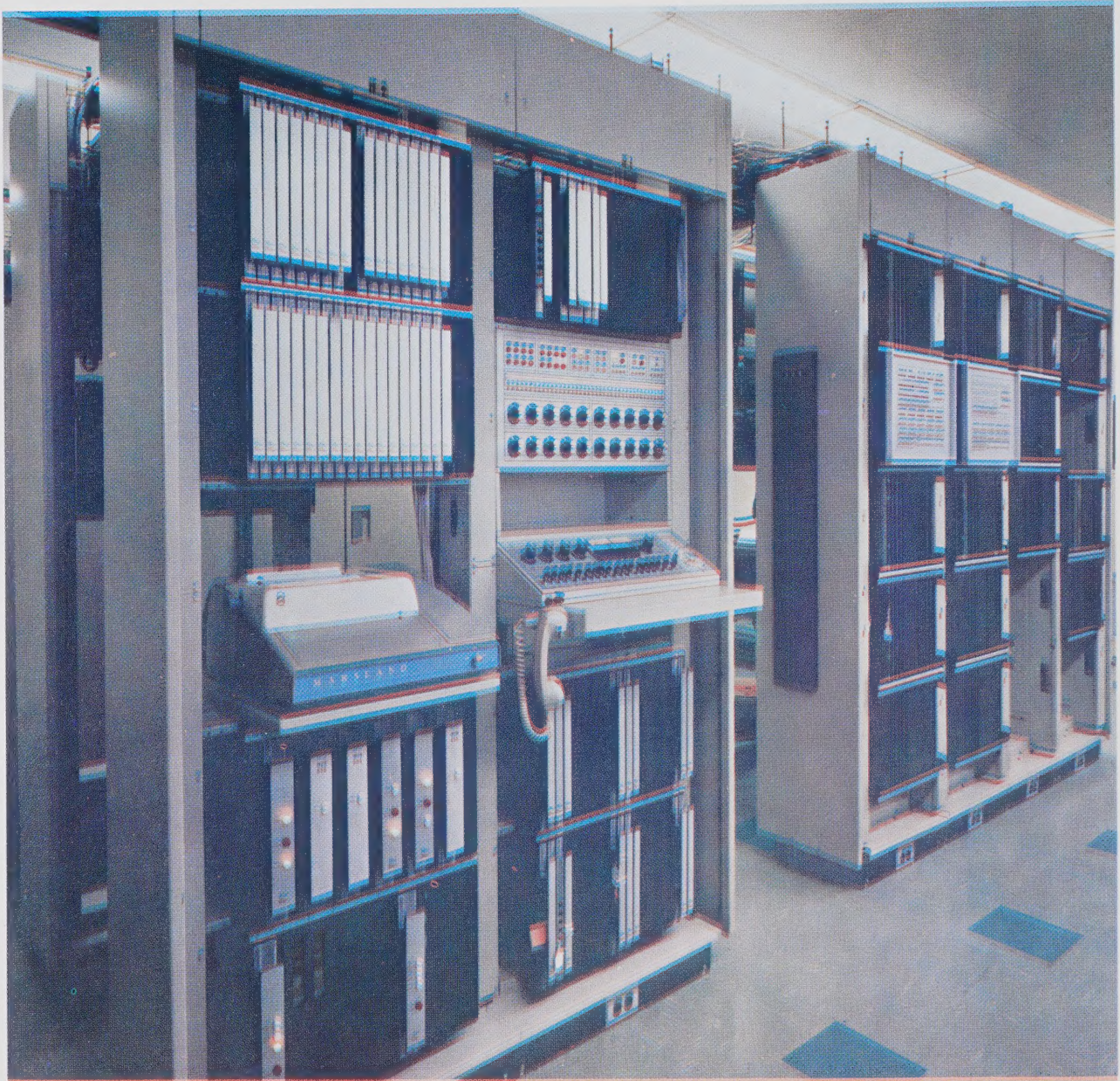
80% of the customers receiving long distance service from the Company are on the DDD network.

Another area of continuing progress to better service in Northern Quebec Telephone Inc. is the rural upgrading program. The purpose of this project is to reduce the maximum number of customers on a rural line to only four.

The most modern service available to customers today is the electronic exchange. The Company's subsidiary, Northern Quebec Telephone Inc., is in the forefront here with the installation of a new central office in Matagami, Quebec as one of the first of this type in the country. This new central office equipment is computerized and capable of providing customers with a wide range of services unavailable with conventional equipment. An example is a feature that enables calls to be completed by dialing only one digit.

The people of the North can be proud of their telephone service. In spite of the climate and terrain, it provides service as modern and efficient and as reliable as almost any major telephone company in the world. The level of development and quality of dial service provided the Company's 83,173 customers demonstrates the Company's ability to surpass its basic responsibility of "Bringing the North Together".

THE ELECTRONIC EXCHANGE



The most modern telephone exchange equipment available is now helping in "Bringing the North Together". The C1-EAX Electronic Exchange, which is computer operated, was installed in Matagami, Quebec in July, 1974. It has capabilities for a wide range of new services for our customers. An example is making a telephone call by dialing only one digit. It is one of the first installations of this type in Canada.

----- OUR COVER -----

The telephone dials on our front cover are symbolic of our theme, "Bringing the North Together". And dials are used for this purpose as this is the first Annual Report we have produced in which the Statistics section lists dial development as 100%.

The final conversions to give our customers 100% dial telephone service were made in Larder Lake, Matachewan and Virginiatown on December 4, 1974.

We are proud of this achievement.

GRAPHICS . . . Lakeview Studio, New Liskeard

